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A QUANTITATIVE STUDY OF THE COLLECTION OF SOFT INFORMATION BY  
SMALL COMMUNITY BANKS; BUILDING SUSTAINABLE COMPETITIVE  
ADVANTAGE

Abstract

The last 25 years have proven to be a turbulent and challenging time for the U.S. banking industry. The rapidly changing technological environment coupled with significant deregulation has dramatically decreased the number of remaining small, independent community banks.

This study explored the historical and current banking environment in an effort to determine if small community banks could develop a sustainable competitive advantage. The existing literature specifically points to the ability of small community banks to collect and process soft information. The purpose of this research was to identify whether or not certain sources of soft information were more beneficial than others to small banks when evaluating credit.

Ohio, as the home state of the author and one of the most competitive banking environments in the country, was used for the research. Specifically, community banks at or under \$500 million were included. 164 banks in Ohio met the requirements to be included in the study, and 51 banks participated. Regression analysis was used to answer the null hypothesis. Ultimately the data failed to reject the null hypothesis, however subsequent regression analysis highlighted interesting and noteworthy relationships for senior bank management in Ohio.

This analysis includes a discussion of the research limitations as well as suggestions for future research. The analysis also includes important implications for senior bank managers at small community banks in Ohio.